

**KALAMO TOWNSHIP**  
**FINANCIAL STATEMENTS**  
For the year ended June 30, 2008

## **TABLE OF CONTENTS**

Independent Auditors' Report	1
Basic Financial Statements:	
Government Wide Statement of Net Assets	2
Government Wide Statement of Activities	3
Governmental Fund Balance Sheet	4
Governmental Fund Statement of Revenue, Expenditures, and Changes In Fund Balance	5
Fiduciary Funds - Statement of Net Assets	6
Notes to Financial Statements	7 - 13
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	14
Additional Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	15 - 18



WALKER, FLUKE & SHELDON, PLC  
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street  
Hastings, MI 49058  
Phone (269) 945-9452  
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.  
Katherine K. Sheldon, C.P.A.

1971 S. State Road  
Ionia, MI 48846  
Phone (616) 522-0792  
Fax (616) 522-0873

## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Kalamo Township  
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kalamo Township, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kalamo Township, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to verify certain deposits in the tax fund during the fiscal year ending June 30, 2008, due to deposits not being made timely or intact. Cash deposits were found once audit procedures revealed the tax fund cash was short due to money owed other units of government.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the deposits, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Kalamo Township, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Kalamo Township's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Kalamo Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan  
October 27, 2008

*Walker, Fluke & Sheldon, PLC*

**KALAMO TOWNSHIP**  
**GOVERNMENT WIDE STATEMENT OF NET ASSETS**  
**June 30, 2008**

---

	<b>Primary Government</b>	
	<b>Governmental</b>	
<b>ASSETS</b>	<b>Activities</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 53,331	\$ 53,331
Investments	254,877	254,877
Receivables (Net)		
Other	564	564
Due From State	39,593	39,593
Due From Other Funds	4,714	4,714
Capital Assets (Net of Accumulated Depreciation)	<u>202,095</u>	<u>202,095</u>
 Total Assets	 <u>555,174</u>	 <u>555,174</u>
 <b>LIABILITIES</b>		
Liabilities		
Accounts Payable	6,250	6,250
Accrued Liabilities	<u>5,382</u>	<u>5,382</u>
 Total Liabilities	 <u>11,632</u>	 <u>11,632</u>
 <b>NET ASSETS</b>		
Net Assets		
Invested in Capital Assets, Net of Related Debt	202,095	202,095
Restricted	-	-
Unrestricted	<u>341,447</u>	<u>341,447</u>
 Total Net Assets	 <u>\$ 543,542</u>	 <u>\$ 543,542</u>

The Notes to Financial Statements are an integral part of this statement.

**KALAMO TOWNSHIP**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2008**

				Net (Expense) Revenue and Changes in Net Assets	
		Program Revenues		Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants	Governmental Activities	Total
Primary Government					
Governmental Activities					
Legislative	\$ 10,782	\$ -	\$ -	\$ (10,782)	\$ (10,782)
General Government	91,859	8,976	1,721	(81,162)	(81,162)
Public Safety	30,013	2,508	-	(27,505)	(27,505)
Public Works	81,395	-	-	(81,395)	(81,395)
Health and Welfare	11,643	-	-	(11,643)	(11,643)
Other	9,582	-	-	(9,582)	(9,582)
Total Governmental Activities	235,274	11,484	1,721	(222,069)	(222,069)
Total Primary Government	\$ 235,274	\$ 11,484	\$ 1,721	(222,069)	(222,069)
General Revenues					
Taxes and Penalties				46,521	46,521
State Grants				123,668	123,668
Interest				12,691	12,691
Other				3,197	3,197
Total General Revenues and Transfers				186,077	186,077
Loss on Disposal of Capital Assets				(679)	(679)
Change in Net Assets				(36,671)	(36,671)
Net Assets-Beginning				580,213	580,213
Net Assets-Ending				\$ 543,542	\$ 543,542

The Notes to Financial Statements are an integral part of this statement.

**KALAMO TOWNSHIP**  
**GOVERNMENTAL FUND BALANCE SHEET**  
June 30, 2008

---

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 53,331	\$ 53,331
Investments	254,877	254,877
Receivables (Net)		
Other	564	564
Due From State	39,593	39,593
Due From Other Funds	4,714	4,714
 Total Assets	 <u>\$ 353,079</u>	 <u>353,079</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts Payable	\$ 6,250	6,250
Accrued Liabilities	5,382	5,382
 Total Liabilities	 <u>11,632</u>	 <u>11,632</u>
 Fund Balances		
Unreserved-Undesignated	341,447	341,447
Designated	-	-
 Total Fund Balances	 <u>341,447</u>	 <u>341,447</u>
 Total Liabilities and Fund Balance	 <u>\$ 353,079</u>	

**Reconciliation of the Governmental Fund's Balance Sheet to the  
Statement of Net Assets:**

Capital assets used in governmental activities are not financial resources and therefore  
are not reported in the governmental funds

Governmental Capital Assets	\$ 289,713	
Less: Accumulated Depreciation	87,618	202,095
 Net Assets of Governmental Activities		 <u>\$ 543,542</u>

The Notes to Financial Statements are an integral part of this statement.

**KALAMO TOWNSHIP**  
**GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2008**

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>		
Taxes and Penalties	\$ 46,521	\$ 46,521
Licenses and Permits	795	795
State Grants	123,668	123,668
Charges for Services	9,743	9,743
Contributions from Local Units	1,721	1,721
Interest and Rents	13,637	13,637
Other Revenue	<u>3,197</u>	<u>3,197</u>
Total Revenues	<u>199,282</u>	<u>199,282</u>
<b>Expenditures</b>		
Current		
Legislative	10,782	10,782
General Government	84,338	84,338
Public Safety	30,013	30,013
Public Works	81,395	81,395
Health and Welfare	11,643	11,643
Other	9,582	9,582
Capital Outlay	<u>116,749</u>	<u>116,749</u>
Total Expenditures	<u>344,502</u>	<u>344,502</u>
Excess of Revenues Over (Under) Expenditures	(145,220)	(145,220)
Fund Balance-July 1, 2007	<u>486,667</u>	
Fund Balance-June 30, 2008	<u>\$ 341,447</u>	
<b>Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities:</b>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for Capital Assets	\$ 116,749	
Less: Current Year Depreciation	7,521	
Less: Loss on Disposal of Capital Asset	<u>679</u>	<u>108,549</u>
Change in Net Assets of Governmental Funds		<u>\$ (36,671)</u>

The Notes to Financial Statements are an integral part of this statement.

**KALAMO TOWNSHIP**  
**FIDUCIARY FUNDS - STATEMENT OF NET ASSETS**  
**June 30, 2008**

---

<b>ASSETS</b>	<b>Trust and Agency</b>
Cash and Cash Equivalents	\$ 11,576
Due from Other	<u>6,571</u>
Total Assets	<u>\$ 18,147</u>
<b>LIABILITIES</b>	
Liabilities	
Due to Other Governmental Units	\$ 13,433
Due to Other Funds	<u>4,714</u>
Total Liabilities	<u>\$ 18,147</u>

The Notes to Financial Statements are an integral part of this statement.



**KALAMO TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Kalamo Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Kalamo Township:

**REPORTING ENTITY**

Kalamo Township is situated in Eaton County south of the Village of Vermontville and north of the Village of Bellevue. The Township operates under an elected board of five members and provides services to residents in many areas including fire protection, ambulance and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Township, there are no component units to be included in these financial statements.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**KALAMO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Township receives cash.

Taxes Receivable - The Township property tax is levied on each December 1<sup>st</sup> based on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 28<sup>th</sup>. After that date, they are added to the county delinquent tax rolls.

Although the Township ad valorem tax is levied and collectible on February 1<sup>st</sup>, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 State taxable valuation of the Township totaled \$44,310,900 on which ad valorem taxes levied consisted of .8209 mills for Township operating purposes, raising \$36,300 for operating purposes.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

Additionally, the government reports the following fund types:

- The Trust and Agency Fund accounts for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> based on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 28<sup>th</sup>. After that date, they are added to the county's delinquent tax rolls.

**KALAMO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

Receivables and Payables (Continued) - The delinquent real property taxes of the Township are purchased by Eaton County. The County sells tax notes and the proceeds are used to pay the Township for these property taxes.

Capital Assets - The Township defines Capital Assets as assets with an initial cost of more than \$250 for furniture, and all other equipment and \$1,500 for buildings and all other improvements and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight- line basis over the following useful lives:

Buildings	40 years
Land Improvements	20 years
Furniture	10 years
Equipment	7 years
Data Processing Equipment	5 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Kalamo Township does not have any designations of fund balance.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Township Boards prepares the annual budgets prior to June 30. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2008, the Township incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>TOTAL APPROPRIATIONS</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General			
General Government:			
Cemetery	\$ 20,554	\$ 23,885	\$ 3,331
Public Safety:			
Fire Protection	\$ 24,300	\$ 30,013	\$ 5,713
Public Works:			
Highways	\$ 20,200	\$ 64,670	\$ 44,470

**KALAMO TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

---

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by Kalamo Township.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated four banks and one federal savings banks for the deposit of Kalamo Township funds.

The Township's deposits and investments are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<b><u>GOVERNMENTAL ACTIVITIES</u></b>	<b><u>FIDUCIARY FUNDS</u></b>	<b><u>TOTAL PRIMARY GOVERNMENT</u></b>
Cash and Cash Equivalents	\$ 53,331	\$ 11,576	\$ 64,907
Investments	254,877	-	254,877
Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 308,208</u>	<u>\$ 11,576</u>	<u>\$ 319,784</u>

The breakdown between deposits and investments is:

	<b><u>TOTAL PRIMARY GOVERNMENT</u></b>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 308,665
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	<u>11,119</u>
Total	<u>\$ 319,784</u>

**KALAMO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008**

---

**DEPOSITS AND INVESTMENTS (Continued)**

Custodial credit risk is the risk that the Township will not be able to recover its deposits in the event of financial institution failure. The Township's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2008, the Township has deposits with a carrying amount of \$308,665 and a bank balance of \$309,742. Of the bank balance, \$294,696 is covered by federal depository insurance and \$15,046 is uninsured and \$0 is collateralized. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**INTERFUND RECEIVABLES AND PAYABLES**

The amounts of the interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General	\$ <u>4,714</u>	Tax	\$ <u>4,714</u>
	\$ <u>4,714</u>		\$ <u>4,714</u>

The interfund receivable and payable represent tax money not yet remitted to the Township General Fund.

**KALAMO TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

---

**CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<b><u>BEGINNING BALANCE</u></b>	<b><u>INCREASES</u></b>	<b><u>DECREASES</u></b>	<b><u>ENDING BALANCE</u></b>
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 28,014	\$ -	\$ -	\$ 28,014
Subtotal	<u>28,014</u>	<u>-</u>	<u>-</u>	<u>28,014</u>
Capital Assets Being Depreciated				
Buildings and Improvements	58,737	116,749	-	175,486
Furniture	856	-	-	856
Equipment	74,528	-	6,794	67,734
Data Processing Equipment	<u>17,623</u>	<u>-</u>	<u>-</u>	<u>17,623</u>
Subtotal	151,744	116,749	6,794	261,699
Less Accumulated Depreciation for				
Buildings and Improvements	23,497	3,367	-	26,864
Furniture	488	77	-	565
Equipment	48,496	3,375	6,115	45,756
Data Processing Equipment	<u>13,731</u>	<u>702</u>	<u>-</u>	<u>14,433</u>
Subtotal	<u>86,212</u>	<u>7,521</u>	<u>6,115</u>	<u>87,618</u>
Net Capital Assets Being Depreciated	<u>65,532</u>	<u>109,228</u>	<u>679</u>	<u>174,081</u>
Total Capital Assets-Net of Depreciation	<u>\$ 93,546</u>	<u>\$ 109,228</u>	<u>\$ 679</u>	<u>\$ 202,095</u>

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	<u>\$ 7,521</u>
Total Government Activities	<u>\$ 7,521</u>

**KALAMO TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

---

**RISK MANAGEMENT**

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages its risk exposure and provides certain employee benefits through a combination of risk management pools and commercial insurance.

The Township participates in the Michigan Municipal League for general and automobile liability, motor vehicle physical damage, property damage, and workers compensation coverages. The Michigan Municipal Liability and Property Pool were established pursuant to laws of the State of Michigan, which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the pool is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Municipal Liability and Property Pool, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Michigan Municipal Liability and Property Pool. Due to this reinsurance purchase, there is no pooling of risk between members.

The Michigan Municipal Liability and Property Pool chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles) that vary from member to member.

The Township also provides employee benefits through the Michigan Municipal League with programs underwritten by commercial insurance carriers.

At June 30, 2008, there were no claims, which exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

**KALAMO TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended June 30, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 486,667	\$ 486,667	\$ 486,667	\$ -
Resources (Inflows)				
Taxes and Penalties	49,812	48,852	46,521	(2,331)
Licenses and Permits	2,700	2,700	795	(1,905)
State Grants	118,505	118,505	123,668	5,163
Charges for Services	11,900	11,900	9,743	(2,157)
Contributions from Local Units	-	-	1,721	1,721
Interest and Rents	18,096	18,096	13,637	(4,459)
Other Revenue	<u>2,200</u>	<u>2,200</u>	<u>3,197</u>	<u>997</u>
Amounts Available for Appropriation	<u>203,213</u>	<u>202,253</u>	<u>199,282</u>	<u>(2,971)</u>
Charges to Appropriations (Outflows)				
Legislative	11,000	11,000	10,782	218
General Government				
Supervisor	8,000	8,000	7,740	260
Elections	4,000	4,000	3,989	11
Assessor	10,800	11,210	11,210	-
Clerk	14,000	14,000	12,437	1,563
Board of Review	964	1,000	939	61
Treasurer	20,000	20,000	14,838	5,162
Township Hall	4,300	11,300	9,300	2,000
Cemetery	28,000	20,554	23,885	(3,331)
Public Safety				
Fire Protection	24,300	24,300	30,013	(5,713)
Public Works				
Highways	20,000	20,200	64,670	(44,470)
Dust Control	29,000	30,030	16,725	13,305
Health and Welfare				
Ambulance	12,000	12,000	11,643	357
Other	11,500	11,500	9,582	1,918
Capital Outlay	<u>-</u>	<u>116,749</u>	<u>116,749</u>	<u>-</u>
Total Charges to Appropriations	<u>197,864</u>	<u>315,843</u>	<u>344,502</u>	<u>(28,659)</u>
Excess of Resources Over (Under) Appropriations	<u>5,349</u>	<u>(113,590)</u>	<u>(145,220)</u>	<u>(31,630)</u>
Budgetary Fund Balance-June 30, 2008	<u>\$ 492,016</u>	<u>\$ 373,077</u>	<u>\$ 341,447</u>	<u>\$ (31,630)</u>



**KALAMO TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Revenues</b>				
Taxes and Penalties:				
Current Property Taxes			\$ 35,039	
Administrative Fees			11,482	
Total Taxes and Penalties	\$ 49,812	\$ 48,852	<u>46,521</u>	\$ (2,331)
Licenses and Permits:				
Dog License Revenue			795	
Total Licenses and Permits	2,700	2,700	<u>795</u>	(1,905)
State Grants:				
State Revenue Sharing			121,033	
Other			2,635	
Total State Grants	118,505	118,505	<u>123,668</u>	5,163
Charges for Services:				
Charges for Services			300	
Fire Runs and Protection			2,508	
Grave Openings			2,000	
Foundations			1,335	
Sale of Cemetery Lots			3,600	
Total Charges for Services	11,900	11,900	<u>9,743</u>	(2,157)
Contributions from Local Units	-	-	<u>1,721</u>	1,721
Interest and Rentals:				
Interest			12,691	
Rentals			946	
Total Interest and Rentals	18,096	18,096	<u>13,637</u>	(4,459)
Other Revenue:				
Metro Act			2,639	
Miscellaneous			558	
Total Other Revenue	<u>2,200</u>	<u>2,200</u>	<u>3,197</u>	<u>997</u>
Total Revenues	<u>203,213</u>	<u>202,253</u>	<u>199,282</u>	<u>(2,971)</u>

**KALAMO TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended June 30, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Expenditures</b>				
<b>Legislative:</b>				
Township Board:				
Per Diem and Fees			3,408	
Supplies			107	
Professional Services			2,844	
Mileage and Expenses			57	
Membership and Training			2,207	
Miscellaneous			<u>2,159</u>	
Total Legislative	<u>11,000</u>	<u>11,000</u>	<u>10,782</u>	<u>218</u>
<b>General Government:</b>				
Supervisor:				
Salary			7,644	
Mileage and Expenses			<u>96</u>	
Total Supervisor	8,000	8,000	<u>7,740</u>	260
Elections:				
Salary			3,078	
Supplies			596	
Repairs and Maintenance			124	
Miscellaneous			<u>191</u>	
Total Elections	4,000	4,000	<u>3,989</u>	11
Assessor:				
Contracted Services			10,800	
Mileage and Expenses			<u>410</u>	
Total Assessor	10,800	11,210	<u>11,210</u>	-
Clerk:				
Salary			9,652	
Supplies			597	
Professional Services			858	
Mileage and Expenses			1,205	
Printing and Publishing			<u>125</u>	
Total Clerk	14,000	14,000	<u>12,437</u>	1,563

**KALAMO TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended June 30, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Expenditures (Continued)</b>				
<b>General Government (Continued):</b>				
Board of Review:				
Wages			775	
Miscellaneous			<u>164</u>	
Total Board of Review	964	1,000	<u>939</u>	61
Treasurer:				
Salary			11,005	
Supplies			1,726	
Professional Services			680	
Mileage and Expenses			151	
Publishing and Printing			849	
Miscellaneous			<u>427</u>	
Total Treasurer	20,000	20,000	<u>14,838</u>	5,162
Township Hall:				
Supplies			3,018	
Utilities			4,199	
Rental Refunds			275	
Repairs and Maintenance			1,232	
Miscellaneous			576	
Capital Outlay			<u>116,749</u>	
Total Township Hall	4,300	128,049	<u>126,049</u>	2,000
Cemetery:				
Salary			12,837	
Supplies			2,636	
Mileage and Expenses			343	
Utilities			998	
Trash Removal			558	
Repairs and Maintenance			6,363	
Miscellaneous			<u>150</u>	
Total Cemetery	<u>28,000</u>	<u>20,554</u>	<u>23,885</u>	<u>(3,331)</u>
Total General Government	<u>90,064</u>	<u>206,813</u>	<u>201,087</u>	<u>5,726</u>

**KALAMO TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended June 30, 2008**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
<b>Expenditures (Continued)</b>				
<b>Public Safety:</b>				
Fire Protection:				
Contracted Services			<u>30,013</u>	
Total Public Safety	<u>24,300</u>	<u>24,300</u>	<u>30,013</u>	<u>(5,713)</u>
<b>Public Works:</b>				
Highways:				
Repairs and Maintenance			62,908	
Other			<u>1,762</u>	
Total Highways	20,000	20,200	<u>64,670</u>	(44,470)
Dust Control				
Contracted Services			<u>16,725</u>	
Total Dust Control	<u>29,000</u>	<u>30,030</u>	<u>16,725</u>	<u>13,305</u>
Total Public Works	<u>49,000</u>	<u>50,230</u>	<u>81,395</u>	<u>(31,165)</u>
<b>Health and Welfare:</b>				
Ambulance:				
Contracted Services			<u>11,643</u>	
Total Ambulance	<u>12,000</u>	<u>12,000</u>	<u>11,643</u>	<u>357</u>
Total Health and Welfare	<u>12,000</u>	<u>12,000</u>	<u>11,643</u>	<u>357</u>
<b>Other:</b>				
FICA Contribution	4,000	4,000	3,691	309
Insurance, Bonds and Fringes	<u>7,500</u>	<u>7,500</u>	<u>5,891</u>	<u>1,609</u>
Total Other	<u>11,500</u>	<u>11,500</u>	<u>9,582</u>	<u>1,918</u>
Total Expenditures	<u>197,864</u>	<u>315,843</u>	<u>344,502</u>	<u>(28,659)</u>
Excess of Revenues Over (Under)				
Expenditures	5,349	(113,590)	(145,220)	(31,630)
Fund Balance-July 1, 2007	<u>486,667</u>	<u>486,667</u>	<u>486,667</u>	<u>-</u>
Fund Balance-June 30, 2008	<u>\$ 492,016</u>	<u>\$ 373,077</u>	<u>\$ 341,447</u>	<u>\$ (31,630)</u>



WALKER, FLUKE & SHELDON, PLC

CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street  
Hastings, MI 49058  
Phone (269) 945-9452  
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.  
Katherine K. Sheldon, C.P.A.

1971 S. State Road  
Ionia, MI 48846  
Phone (616) 522-0792  
Fax (616) 522-0873

To the Township Board  
Kalamo Township  
Eaton County, Michigan

In planning and performing our audit of the financial statements of Kalamo Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Kalamo Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The reconciled tax fund bank activity is not being balanced with the tax program.
- Deposits are not made intact or in a timely fashion.
- Funds are collected at various locations and are not stored in a secure location.
- Disbursements are classified incorrectly with incorrect dates.
- The Township does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. Currently, the Township contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries.

This communication is intended solely for the information and use of management, the board of trustees of Kalamo Township and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI  
October 27, 2008

*Walker, Fluke & Sheldon, PLC*



WALKER, FLUKE & SHELDON, PLC  
CERTIFIED PUBLIC ACCOUNTANTS

525 W. Apple Street  
Hastings, MI 49058  
Phone (269) 945-9452  
Fax (269) 945-4890

Christopher J. Fluke, C.P.A.  
Katherine K. Sheldon, C.P.A.

1971 S. State Road  
Ionia, MI 48846  
Phone (616) 522-0792  
Fax (616) 522-0873

October 27, 2008

To the Township Board  
Kalamo Township  
Eaton County, Michigan

We have recently completed an audit of the financial statements of Kalamo Township, Eaton County, Michigan for the year ended June 30, 2008. During the course of the audit the following items came to our attention, which require further comment.

**Budgets Should Be Reviewed On A Periodic Basis**

The general appropriations act passed before the beginning of each fiscal year is the legal authority for the Township to spend public moneys. The general appropriations act specifies amounts that may be spent by budget category. The Township does not have legal authority to spend amounts in excess of specific appropriations.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government may not incur expenditures in excess of amounts appropriated. When it appears that more money will be spent than the amount originally appropriated, it is necessary to amend the budget. This can be done at any meeting prior to the fiscal year end and does not require a new public hearing. During the year ended June 30, 2008, the Township's actual expenditures exceeded their appropriations in several categories.

It is recommended that the Township closely monitor the expenditures in relation to amounts appropriated and amend the budget when necessary. In addition, consideration should be taken at year-end for typical audit adjustments and amend the budget accordingly. The approved budget and all amended budgets should become a permanent part of the board minutes.

**Receipt Book**

During the course of the audit, it was noted that the treasurer was not utilizing a receipts book to record money collected and checks were not being endorsed in a timely manner.

A pre-numbered duplicate receipts book should be used to record all payments received and checks should be endorsed immediately. The receipt should indicate the date collected, the payer, the amount and whether the payment was made in cash or check. The top copy should be given to the customer and the bottom copy should be kept in tact in the book. The receipts should indicate which are added together to make one deposit. Receipts records provide valuable tracking information and internal controls over cash payments.

It is recommended the treasurer start using a pre-numbered receipts book for all money received and the receipt should indicate date collected, the payer, the amount and whether the payment was made in cash or check.

**Minutes**

During the course of the audit, it was noted meeting minutes do not consistently notate that all bills have been approved. Also, board members do not have access to view the actual bills being paid.

The meeting minutes should notate the check numbers approved and the total dollar amount. A list of all bills should be shown to the board members at each meeting. Each board member should initial the list to verify that he/she reviewed the list. This list should then be attached to the board minutes. In addition, the actual bills being paid should be present at each meeting for board members to view, if needed.

We recommend a list of all bills to be paid is presented to the Township Board for approval and all actual bills being paid be available for viewing by board members at each meeting.

### Expenditures

During the course of the audit, it was noted that the treasurer was not reviewing invoices before signing checks for expenditures.

All bills should be reviewed prior to signing a check for expenditures. It should be noted that the invoice was for an appropriate township expenditure, the payee on the check is correct and the check has been written for the correct amount.

We recommend that the treasurer be given the actual invoices being paid along with the checks to be signed, so that treasurer can note that only proper township expenditures are being paid.

We would like to take this opportunity to thank the Kalamo Township Clerk and Treasurer for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

Walker, Fuke & Shelden, PLLC